

9A
ACC. 1

THE STOLAR PARTNERSHIP
ATTORNEYS AT LAW

SANDRA L. OBERKFELL

THE LAMMERT BUILDING
911 WASHINGTON AVENUE
ST. LOUIS, MISSOURI 63101
(314) 231-2800

H.M. STOLAR
(RETIRED 1984)

TELEX: 880984 (SHESH STL)
TELEFAX: (314) 436-8400

May 5, 1992

Mr. Ruben B. McCullers
Environmental Scientist
RCRA Compliance
United States Environmental
Protection Agency, Region VII
726 Minnesota Avenue
Kansas City, Kansas 66101

Re: Knapheide Mfg. Co.
Docket No. VII-92-H-0008

Dear Ruben:

As we promised at our settlement conference on April 23, 1992 regarding the above-referenced matter, we are herewith providing additional information in support of the settlement offer we made to the EPA at that time. We want to emphasize that this information is intended only to supplement that settlement offer, and therefore must be considered in conjunction with the previously submitted information.

Count II

1. ATEC Associates has obtained information from the local Brule Incinerator representative substantiating the (a) unlikelihood of stack emissions containing selenium, and (b) stability through thermal oxidation of any such materials in the unlikely event of emission through the stack. ATEC confirms these conclusions in an attached letter.

2. Knapheide has contacted each of its paint suppliers, and each has confirmed orally that none of the paints supplied to Knapheide from 1980 through the present contains selenium. (The paint manufacturers have agreed to confirm this in writing; their letters will be supplied to you upon receipt.)

3. The Material Safety Data Sheets for the paint products used by Knapheide have been double checked, and, as we initially indicated, selenium is not shown as a constituent on any such Sheets.



R00000372

RCRA Records Center

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
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Count VI

In the same letter, Knapheide's Facilities and Environmental Engineering Manager recites the procedures in effect (past and current) in case of emergency.

Count VIII

In the same letter, Knapheide's Facilities and Environmental Engineering Manager recites the arrangements in place with the resource recovery facility concerning procedures to be followed if a waste shipment is undeliverable. The arrangements Knapheide currently has with the resource recovery facility meet the requirements of the manifest regulation.¹ However, as set forth in Paragraph II.D. of the Hazardous Waste Manifesting Procedure (previously submitted to you by letter dated March 21, 1992), Knapheide has been and will continue to incorporate a statement on its manifest instructing the transporter to return the waste in the event delivery of the waste to the primary designated facility is not possible. In our opinion, no penalty should be assessed for the facts alleged in Count VIII because no violation of the law occurred. Certainly, the recalculated penalty for Count VIII presented in the settlement offer is justified.

CONCLUSION

The foregoing information supports the settlement offer made on behalf of our client at our settlement conference on April 23, 1992. In fact, as indicated by the documentation provided in the discussion concerning Counts II and VIII, an argument could be made

¹The provisions of 40 C.F.R. §262.20(c) and (d) as incorporated by reference at 10 C.S.R. §25-5.262(1), do not provide that manifests for off-site shipment must designate an alternate facility to receive the waste and instructions that, if the transporter is unable to deliver to the designated or alternate facility, the generator must designate another facility or the waste must be returned to the generator. Rather, these sections provide that the generator must designate on the manifest one facility which is permitted to handle the waste described on the manifest, and may designate on the manifest one alternate facility which is permitted to handle the generator's waste if an emergency prevents delivery of the waste to the primary designated facility. If the transporter is unable to deliver the hazardous waste to the designated facility or the alternate facility, the regulations provide that the generator must then either designate another facility or instruct the transporter to return the waste.

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
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4. The three test results of the paint booth wastes, prior to containerization, conducted by the laboratory on April 16, 1991 are the only test results indicating the presence of selenium in Knapheide's paint filters (and two of those three test results are only marginally above the detection limit). The test results of the containerized paint filter waste conducted on March 12, 1991 were non-detect for selenium, as was the fourth paint booth waste test conducted on April 16, 1991. Therefore, the presence of selenium in these test results seems to be a currently unexplainable anomaly and such test results are certainly insufficient to prove a violation dating back to 1980 for the improper treatment of the waste. Further, the April, 1991 test results do not establish the improper storage (in excess of 90 days) of the waste, since the waste was shipped in May, 1991 and has been shipped every 90 days since.

Count II

Economic Benefit

Attached is a letter from ATEC confirming its actual cost of preparing a closure plan and recalculating Item 1 of the proposed Economic Benefit Penalty (Count II) based upon such actual cost. Also attached is a letter from Knapheide's Vice President/Manufacturing recalculating the avoided disposal cost component (Item 3) of the proposed Economic Benefit Penalty (Count II).

Please note that in both instances, the penalty has been calculated from 1986 only, because the use of chromium-containing paint did not commence in that year, and because no evidence of the presence of selenium has been established for that relevant time period.

Count III

Attached is a letter from Knapheide's Facilities and Environmental Engineering Manager stating that the containers of waste stored on site at the time of the March 15, 1991 inspection were labeled with waste type and start date of accumulation.

Count V

In the same letter, Knapheide's Facilities and Environmental Engineering Manager sets forth the amount of aisle space present at the time of the March 15, 1991 inspection, and the dimensions necessary for emergency equipment access (including discussions with the local fire department regarding their access needs).

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
Page 4

that the proposed penalty assessment should be decreased. However, our client is not reducing its April 23 settlement offer on the basis of this revised information. Rather, we believe that the information contained in this letter and its attachments firmly support and justify acceptance of our client's current settlement offer. We are willing to submit any additional information you may request and we await your response which we understand will be forthcoming this Friday.

Thank you.

Very truly yours,


Sandra L. Oberkfell

SLO:mc

cc: Robert W. Richards, Esq.
Mr. Harold D. Huggins
Mr. Steve Townsend

ATEC Associates, Inc.



2275 Cassens Drive, Suite 123
Fenton, Missouri 63026-2501
[314] 349-5949, FAX # [314] 349-4912

May 5, 1992

Mr. Gerry Korb
Vice President Manufacturing
The Knapheide Mfg. Co.
436 South Sixth Street
Quincy, Illinois 62306-2140

Dear Mr. Korb:

In response to your question on costs associated with clean closure of the container staging/incinerator area, ATEC Associates, Inc. (ATEC) will expend approximately \$15,000.00 in 1992 dollars completing this project. This estimated fee includes time and expenses associated with preparation, generation and submission of the closure plan, pre-closure sampling and analysis, review of analytical data and certification of closure.

Because the first purchase of chromium-containing paint was not made until February 1986, Knapheide would not have been subject to the regulations concerning hazardous waste generation until 90 days after generation of its first waste-paint product. Knapheide should have ceased incineration of chrome-containing absorbent material at that time, and proceeded with closure of the area. Even though Knapheide did not perform these activities in 1986, the same closure format as currently being proposed could have been used because the incineration process did not change from 1986 through 1989.

Therefore, the appropriate economic benefit calculation for this item is \$15,000, the actual 1992 cost for providing these services.

I trust this information is sufficient to meet your needs. If you have any questions concerning this letter, please do not hesitate to call me.

Respectfully Submitted,
ATEC Associates, Inc.


D. Stephen Townsend, CPG, REM
District Manager

FAX FORM

Respond to Don S.
Lockton
ATTACHMENT 1

The Lockton Insurance Agency

7400 State Line Prairie Village, KS 66208
Main # 913-676-9000 Fax # 913-676-9180

Date: 6/8/92 # of pages being sent incl. cover sheet 1

Company: KNAPHEIDE MFG. CO.

Attn: GERRY KORB

Regarding: POLLUTION LIAB.

Message: GERRY, ECS HAS QUOTED THE FOLLOWING

AT \$1 MIL / \$2 MIL LIMITS:

<u>SIR</u>	<u>PREM.</u>
<u>\$50K</u>	<u>\$30K</u>
<u>\$100K</u>	<u>\$27K</u>
<u>\$250K</u>	<u>\$23,625</u>

THESE ARE THEIR STANDARD PREM. REDUCTIONS FOR SIR INCREASES. IF YOUR PREMIUM WAS LARGER YOU WOULD GET A BIGGER BREAK. THE UNDERWRITER IS PUSHING TO HAVE YOUR DECISION MADE ~~FOR~~ THIS WEEK. TO BIND WE NEED A 30% DOWN PAYMENT WITH THE BALANCE IN A COUPLE OF WEEKS. PLEASE GIVE ME YOUR THOUGHTS WITHIN A COUPLE OF DAYS.

THX!

Company's fax number: 217 / 222 - 5939

Sender DON SHILLITO



2275 Cassens Drive, Suite 123
Fenton, Missouri 63026-2501
[314] 349-5949, FAX # [314] 349-4912

April 30, 1992

Mr. Gerry S. Korb
Vice President/Manufacturing
Knapheide Manufacturing Company
P.O. Box C-140
436 South 6th Street
Quincy, Illinois 62306-2140

Re: The Knapheide Mfg. Co.
Brule Incinerator

Dear Mr. Korb:


I have discussed with Mr. Dick Evenson, the local Brule Incinerator representative, the operation and emissions associated with a model No. FG4-T5 incinerator. According to Brule, both opacity and particulate emissions from this model of incinerator are well under state or federal guidelines. On the basis of stack testing of this model of incinerator, Brule stated that the grain loading (i.e., particulates) would be 0.0645 grains per standard cubic foot (gr/scf), which is well under the allowable 0.2 gr/scf.

In addition, all heavy metals contained within the burned materials would settle out while the gas stream (e.g., smoke) continued through the incinerator's up-pass system. Essentially, this up-pass system acts as a settling chamber prior to the gas entering the stack and thus, the atmosphere. Therefore, all heavy metals would be contained within the resultant ash. Apparently the only possible way heavy metals would exit the incinerator stack would be if they were actually attached to particulates. This method is estimated by Brule to be very unlikely.

In summary, it is highly unlikely any heavy metal constituents contained within the materials charged into the incinerator were contained within stack emissions. In the unlikely event they were, all heavy metals would have been reduced to their most stable physical state by thermal oxidation.

If you have any questions concerning this information, please do not hesitate to call.

Respectfully Submitted,
ATEC Associates, Inc.


D. Stephen Townsend, CPG, REM
District Manager

**THE STOLAR PARTNERSHIP
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TELEFAX: (314) 436-8400

SANDRA L. OBERKFELL

H.M. STOLAR
(RETIRED 1984)**FAX TRANSMISSION SHEET**

TO:	Ruben B. McCullers	FAX NO.:	(913) 551-7521
		TEL NO.:	(913) 551-7455
	Robert W. Richards	FAX NO.:	(913) 551-7064
		TEL NO.:	(913) 551-7502
FROM:	Sandra L. Oberkfell	DATE:	6/9/92
RE:	Knapheide Mfg. Co.	CLIENT NO.:	4332/251

Number of pages (including this page): 4

If you do not receive the transmission properly,
please call 314-231-2800.

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* * * * *

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M.M. STOLAR
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TELEFAX: (314) 438-8400

SANDRA L. OBERKFELL

June 8, 1992

Robert W. Richards, Esq.
Assistant Regional Counsel
United States Environmental
Protection Agency, Region VII
726 Minnesota Avenue
Kansas City, Kansas 66101

Re: The Knapheide Mfg. Co. ("Knapheide")
Docket No. VII-92-H-0008

Dear Bob:

As we discussed at our meeting on May 19, 1992 regarding the above-referenced matter, Steve Townsend of ATEC Associates and I met with the Missouri Department of Natural Resources ("MDNR") to discuss the Closure Plan for the hazardous waste management units referenced in the Complaint issued in the above-captioned proceeding. The individuals present from MDNR consisted of: David Friese, Environmental Engineer, Waste Management Program (sitting in on behalf of Dan Sergi); Tom Judge, Environmental Specialist, Waste Management Program (representing Bruce Martin); and Jim Belcher, Chief, Planning and Pre-Remedial Unit, Waste Management Program.

The following points are relayed to you regarding that meeting:

1. David Friese indicated that the Waste Management Program section of MDNR currently has limited personnel resources and that closure of a treatment, storage and disposal ("TSD") facility is therefore currently averaging approximately 18 months.

2. David Friese indicated that no one from MDNR had yet reviewed the Closure Plan for Knapheide which was submitted to MDNR on April 6, 1992. Therefore, we surmise that any comments made to Ruben McCullars concerning the appropriate method of closure for the areas at issue in this matter were made without benefit of review of the information presented in the Closure Plan.

THE STOLAR PARTNERSHIP

Robert W. Richards, Esq.
June 8, 1992
Page 2

3. Steve Townsend and I provided a brief overview to MDNR of the facts concerning this facility, particularly our contention that closure is complete at the current time and only proper certification of such closure remains to be accomplished. We outlined the reasons for our position that an 18-month closure time and an extensive regulatory process were excessive for the issues to be addressed in connection with this enforcement matter. We also explained that any requirement that Knapheide obtain insurance coverage and financial assurance for any period would create an unnecessary and excessive expense for Knapheide when, as we contend, clean closure exists as of now. As I have discussed previously with EPA, I pointed out to MDNR that requiring the corporation to purchase insurance coverage and provide financial assurance when clean closure already exists, does not fulfill the aims of the regulation -- to demonstrate financial responsibility for bodily injury and property damage caused by sudden and accidental occurrences arising from operations of a TSD facility, and establish financial assurance for closure of a TSD facility. I then outlined for MDNR the alternative that I had suggested to the EPA in lieu of requiring an insurance policy and full-blown assurance instrument (namely, prompt certification of clean closure and the possible obtaining by Knapheide of a letter of credit in an amount to be negotiated as assurance that funds will be available in the event of an inadvertent incident at the facility pending approval of closure.) I also told them of our discussions with EPA concerning a hybrid RFA-type assessment of the West Quincy, Missouri site during the operations audit offered as part of the settlement.

4. In light of the importance of closure and related requirements to the ongoing negotiations we are currently conducting with EPA, we requested a prompt review from MDNR of the Closure Plan and of the circumstances possibly warranting a quick enforcement closure regarding this matter. MDNR indicated a reluctance to commit to such prompt review. I then explained that this project was part of a Region VII enforcement initiative, and that the parties were making substantial progress toward a consent agreement and order; however, closure was one of the major remaining issues to be resolved, and settlement could not be reached until resolution of this matter. I indicated that we were hoping for finalization of a consent agreement and order in the early part of July. MDNR indicated that it would do its best to perform a "preliminary" review of the Closure Plan within the next two weeks, and discuss its comments with us.

THE STOLAR PARTNERSHIP

Robert W. Richards, Esq.
June 8, 1992
Page 3

We offered, on behalf of our client, to expedite the matter in any way MDNR requested, and suggested that we be contacted if we could provide any further information or be of assistance in any other way.

Very truly yours,


Sandra L. Oberkfell

SLO:mc

cc: Mr. Ruben McCullers
Mr. David Friese
Mr. Tom Judge
Mr. Jim Belcher
Mr. Harold Huggins

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June 8, 1992

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Robert W. Richards, Esq.
June 8, 1992
Page 3

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Very truly yours,


Sandra L. Oberkfell

SLO:mc

cc: Mr. Ruben McCullers
Mr. David Friese
Mr. Tom Judge
Mr. Jim Belcher
Mr. Harold Huggins



SINCE 1848

The Knapheide Mfg. Co. ■ 436 South Sixth Street ■ P. O. Box C-140 ■ Quincy, Illinois 62306-2140
TEL: (217) 222-7131 ■ FAX: (217) 222-5939 OR (800) 654-8997

April 30, 1992

THE STOLAR PARTNERSHIP
ATTORNEY AT LAW
THE LAMMERT BUILDING
911 WASHINGTON AVENUE
ST LOUIS MO 63101

ATTN: SANDRA L OBERKFELL

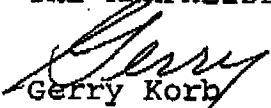
Dear Sandy:

Following is the analysis used to project the disposal costs of chrome containing filters had those filters been shipped to a resource recovery facility for incineration. The analysis considers:

- A. Projected usage of paint by major products for 1992 used to calculate what percent of the filters would contain chrome.
- B. Actual shipments of waste filters for the past (3) shipments as a ratio to the number of filters purchased.
- C. Disposal cost is estimated at \$1,000/ton based on a verbal estimate from Chief Supply.
- D. Vinyl wash, the chrome containing paint pre-primer was introduced the 2nd quarter of 1986 in UB & UB Special, estimated 1st quarter 1987 for the tool box and miscellaneous department.
- E. Platforms and side assembly paint was completely chrome free during the 1986-1989 period.
- F. None of the paint had chrome before the 2nd quarter of 1986. Therefore, years 1980-1985 are not considered.

Sincerely,

THE KNAPHEIDE MFG. CO.


Gerry Korb
Vice President Manufacturing

Attachments

FILTER DISPOSAL COSTS

- 1) From 5/24/91-4/6/92 we shipped 350 drums of filters to Chief Supply for incineration. The period represents 197 production days.
- 2) In 1991 we purchased 22,000 filters for our paint booths.
- 3) Total production days in 1991 = 238
- 4) Filter purchases in the past were:

1986	12,000
1987	18,000
1988	18,400
1989	19,000
1990	22,800
1991	22,000

5) Est Drums/Yr:

	<u>Filters</u>	<u>Actual Drums</u>	<u>Filters/ Drum**</u>	<u>Projected Drums</u>
1991 (197 Days)	18,210	350	52	
Prior - '86-89				
86 - 9 Mo	9,000			173
87	18,000			346
88	18,400			354
89 - 9 Mo	14,250			274

* 22,000 Filters / 238 days/yr * 197 days in period

**New filters are packaged 100/19" vs. 52 in 34" as calculated above.

6) Projected Drums Containing Chrome

	<u>Total Drums</u>	<u>% Chrome Paint</u>	<u>Drums W/Chrome</u>
86 - 9 Mo	173	57%	99
87	346	63%	218
88	354	68%	241
89 - 9 Mo	274	68%	186
	<u>1,147</u>		<u>744</u>

*See Attachment A - % of filters containing chrome.

7) Annual Costs - Disposal of Chrome Containing Filters

	# Drums	Ton @ 130#/Drum	Disposal Cost @1000/Ton
86 - 9 MO	99	6.4	6,400
87	218	14.2	14,200
88	241	15.7	15,700
89 - 9 Mo	186	12.1	12,100
	<u>744</u>	<u>48.4</u>	<u>48,400</u>

4 Year avoided cost @ current (92) \$ = \$48,400

ATTACHMENT A

% OF FILITERS CONSIDERED CHROME

		NON-HAZARDOUS			HAZARDOUS			% PAINT CHROME
		PAINT	EQUIV.** "PLATS"	RATE (GAL)	PAINT	EQUIV.** UB'S	RATE (GAL)	
92 FORECAST	VINYL WASH	15,063	5,450	2.76	34,770	8,647	4.02	70
1986 - 9 MOS	UB	18,356	6,641	2.76	24,353	6,056	4.02	57
1987	UB & TB	20,665	7,477	2.76	35,217	8,758	4.02	63
1988	UB & TB	22,058	7,981	2.76	47,920	11,917	4.02	68
1989 - 9 MOS	UB & TB	16,578	5,998	2.76	34,812	8,657	4.02	68

NOTE:

- 1) TOOL BOX PAINT WAS NON-CHROME IN 1986.
VINYL WASH STARTED IN 1987 IN TOOL BOX.
- 2) TOOL BOX VOLUMES ARE ADDED TO PLATFORM VOLUMBES IN 1986
SINCE THEY DID NOT CONTAIN CHROME AND TO UB IN '87-89 AT
A RATE OF 6 TOOL BOXES PER PLATFORM OR UB.
(IE. - 1986 EQUIVALENT PLATFORM VOLUME IS = $8105 \times 9/12 + 450 \setminus 6 \times 9/12 = 6641$)

*SEE ATTACHMENT B - PROJECTED PAINT CONSUMPTION WORKSHEET

**SEE ATTACHMENT C AND NOTE 2 ABOVE FOR EQUIVALENT PRODUCTS PRODUCED.

ATTACHMENT B

PAINT CONSUMPTION - PROJECTED '92

PAINT CONS	UB	MISC	TOOL BOX	PLATFORM	SIDE ASSEMBLY
RED PRIME	11,011	2,202	2,783	3,325	3,738
GREY	11,011				
BLACK			2,254	4,033	1,967
WHITE			529		
RED-T.C.					2,000
UNDERCOAT	4,980				
	27,002	2,202	5,566	7,358	7,705
		29,204			15,063
			34,770		
				49,833	

ATTACHMENT C

PRODUCTION VOLUMES

YEAR	VINYL WASH USED	UTILITY BODIES	PLATFORM	TOOL BOXES
1986	UB	8075	8105	4501
1987	UB & TB	7838	7477	5519
1988	UB & TB	10675	7981	7451
1989	UB & TB	10278	7262	7484
1989 - OCT-DEC	UB & TB	2712	1264	938
1990	UB & TB	8907	6862	6798
1991 - JAN	UB & TB	618	341	435
1991	UB & TB	7755	4606	4900

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H.M. STOLAR
(RETIRED 1984)

SANDRA L. OBERKFELL

June 10, 1992

FEDERAL EXPRESS

RECEIVED

JUN 11 1992

RCOM SECTION

Robert W. Richards, Esq.
Assistant Regional Counsel
United States Environmental
Protection Agency, Region VII
726 Minnesota Avenue
Kansas City, Kansas 66101

Re: Knapheide Mfg. Co.
Docket No. VII-92-H-0008

Dear Bob:

We indicated at our meeting on May 19, 1992 (discussing settlement of the above-referenced matter) that we would follow up shortly with certain documents and information. The documents and information provided herewith support a prompt resolution of our ongoing settlement discussions. We want to emphasize that this information is intended only to supplement those settlement discussions, and therefore the following must be considered in conjunction with the previously submitted information:

1. Economic Benefit Calculations. (Attachment 1). The enclosed economic benefit calculations were prepared by Gerry Korb, the Vice President of Operations of Knapheide, to assist you in reconsidering the BEN model economic benefit assumptions and calculations you presented at our May 19, 1992 meeting. A separate analysis has been prepared for three of the economic benefit components, labeled on your BEN model sheets as "Recalculation of Assurance Cost," "Recalculation of Closure Cost," and "Recalculation of Avoided Disposal Cost." (Mr. Korb has not, at this time, recomputed the item labeled "Benefit from Illegal Storage - Delayed Cost.") The calculations connected to closure costs are based upon the information you received from the Missouri Department of Natural Resources ("MDNR") that an 18-month time span would be required to complete closure of the hazardous waste management units identified in the Complaint. Please note, however, that our client still disputes the appropriateness of the 18-month requirement for purposes of economic benefit calculations as well as for the reasons set forth in our very recent letter to

THE STOLAR PARTNERSHIP

Robert W. Richards, Esq.
June 10, 1992
Page 2

you concerning our meeting with representatives of MDNR (Attachment 2). The calculations regarding assurance are based upon the quote for environmental insurance which Knapheide just received from its insurance agent. A copy of the quote is enclosed also for your review.

2. Discussion Paper Concerning Counts II, III and VIII. (Attachment 3). In addition to the economic benefit calculations, we have prepared a discussion paper to assist in settlement negotiations regarding Counts II, III and VIII. We continue to assert that the gravity-based component under Count II for the Potential for Harm should be reduced to "moderate." Further, we maintain that no violations are stated under Counts III and VIII, for the reasons set forth in the discussion paper.

3. Revised Consent Agreement and Consent Order. (Attachment 4). This draft Order is based upon your May 26, 1992 draft. I have also included a "compare draft" for reflecting changes from your draft. The penalty numbers are blank in this draft until we can discuss further with you at our meeting later this month (a) the economic benefit recalculation, including the figures provided by Mr. Korb regarding incinerator operating costs and process improvements, and (b) our position on Counts II, III and VIII, including resolution of the closure issue.

For your convenience, enclosed is a disk containing our draft.

4. Media Releases. A local news station in the Quincy area (WGEM Channel 10) released a story on this matter on April 9, 1992, as did the local newspaper (*Quincy Herald-Whig*) on April 12, 1992. Copies of the transcript of the news release, and a copy of the newspaper story are enclosed as Attachments 5 and 6. As you well know, this facility has made great strides toward achieving compliance quickly, and toward improving its management of hazardous waste and environmental compliance matters. We are sending you these media releases, therefore, only to emphasize that the EPA is also achieving, as to this facility, its enforcement action goal of "sending a clear message of their [EPA's and the States'] commitment to compel compliance with notification requirements and the attendant requirements governing management of hazardous waste." (Illegal Operators Enforcement Initiative, announced February 4, 1992, BNA Daily Environment Report, DEN No. 24, February 5, 1992, p. E-1.)

We are optimistic that the parties will reach agreement on this matter in the near future, and hope the enclosed and the foregoing are helpful in reaching that goal. We think it important to emphasize that not only are the EPA's goals as stated in the

THE STOLAR PARTNERSHIP

Robert W. Richards, Esq.
June 10, 1992
Page 3

Enforcement Initiative being achieved (as noted above), but also the goals of the EPA's Civil Penalty Policy are being achieved. The Civil Penalty Policy focuses on deterrence, fair and equitable treatment of the regulated community, and swift resolution of environmental problems. The lower penalties being advocated by Knapheide are substantial enough, given the size of Knapheide, to achieve significant deterrence. This is evident in the manner in which Knapheide has already responded in reorganizing personnel and establishing procedures to ensure that it complies with environmental requirements and to enable it to address environmental concerns in a timely manner. Since receipt of the Complaint in this matter, Knapheide has invested, and will continue to invest, considerable time, resources and effort into resolving such environmental problems as may exist at its facilities. Because of the dollars required during this process, resolution of those problems will be hastened by more moderate dollar penalties than those currently being proposed.

Of course, this letter, and its contents, and all attachments (a) are confidential and should not be disclosed to the public without the prior written consent of our client, (b) do not constitute and should not be deemed to constitute an admission of liability for any purpose and (c) do constitute an offer of compromise and therefore no portion hereof shall be admissible in any proceedings of any kind for any reason.

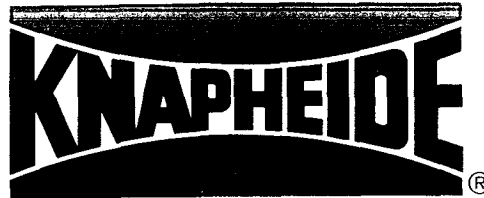
We look forward to discussing this matter further with you after your consideration of this information.

Very truly yours,


Sandra L. Oberkfell

SLO:mc

cc: Mr. Ruben McCullers ✓
Mr. Harold Huggins



SINCE 1848

ATTACHMENT 1

The Knapheide Mfg. Co. ■ 436 South Sixth Street ■ P. O. Box C-140 ■ Quincy, Illinois 62306-2140
TEL: (217) 222-7131 ■ FAX: (217) 222-5939 OR (800) 654-8997

June 8, 1992

THE STOLAR PARTNERSHIP
ATTORNEY AT LAW
THE LAMMERT BUILDING
911 WASHINGTON AVENUE
ST LOUIS MO 63101

ATTN: SANDRA L OBERKFELL

Dear Sandy:

Included is our analysis of the economic benefit accrued to The Knapheide Mfg. Co. by not disposing of the paint filters off-site, by not obtaining liability insurance coverage while in interim status as a TSD facility, and by not developing a closure plan when we first used paint containing chrome.

The analysis utilizes the discounted cash flow (DCF) approach to calculate economic benefit. This approach calculates the current after-tax value of the flow of funds for the project. It is the same approach we use to analyze the benefits of a project or expenditure. The DCF approach represents the financial objective of any for profit organization; generate a positive after-tax cash flow from investments above a set hurdle rate.

The economic benefit summary (attached) compares the economic benefit several ways:

- A. Using discount (Hurdle) rates of 12% and 18.1%.
- B. Subtracting out the actual costs of filter disposal using the incinerator.
- C. Assuming a 10% per year improvement in the quantity of filters generated, a very conservative estimate given the motivation from having to handle filters as hazardous and pay the price of outside disposal.



THE STOLAR PARTNERSHIP
June 8, 1992
Page 2

Also attached are the detailed worksheets showing the cash flows for each of the various scenarios along with the assumptions made.

The economic benefit accrued to Knapheide is \$6,334 using a discount rate of 12% and including the actual costs incurred in in-house disposal and a 10% per year improvement. Without considering the 10% per year improvement, the economic benefit is \$11,696.

Sincerely,

THE KNAPHEIDE MFG. CO.

A handwritten signature in cursive script, appearing to read "Gerry", written over the printed name "Gerry Korb".

Gerry Korb
Vice President Manufacturing

GWK:dd

Enclosures

ECONOMIC BENEFIT SUMMARY

G. KORB
06/08/92

WITHOUT IMPROVEMENT IN FILTERS GENERATED

	18.1% ANN DISC RATE	12% ANN DISC RATE	18.1% ANN DISC RATE	12% ANN DISC RATE
	-----	-----	-----	-----
AVOIDED DISPOSAL COSTS	\$35,821	\$31,429	\$35,821	\$31,429
LESS: INCURRED DISPOSAL COSTS			(\$22,903)	(\$19,999)
LIABILITY COVERAGE	\$4,922	\$948	\$4,922	\$948
CLOSURE COSTS	\$1,025	(\$682)	\$1,025	(\$682)
TOTAL	\$41,768	\$31,695	\$18,865	\$11,696
				=====

WITH A 10% PER YEAR REDUCTION IN FILTERS GENERATED

	18.1% ANN DISC RATE	12% ANN DISC RATE	18.1% ANN DISC RATE	12% ANN DISC RATE
	-----	-----	-----	-----
AVOIDED DISPOSAL COSTS W/ 10% ANN IMPR	\$29,818	\$26,067	\$29,818	\$26,067
LESS: INCURRED DISPOSAL COSTS			(\$22,903)	(\$19,999)
LIABILITY COVERAGE	\$4,922	\$948	\$4,922	\$948
CLOSURE COSTS	\$1,025	(\$682)	\$1,025	(\$682)
	\$35,765	\$26,333	\$12,862	\$6,334
				=====

G. KORB
06/08/92

EPA PENALTY CALCULATIONS
ASSUMPTIONS

1. THE DISCOUNT RATE IS ASSUMED TO BE 12% VERSUS 18.1% AS USED BY THE EPA. KNAPHEIDE'S COST OF BORROWING IS AT PRIME AND DIVIDENDS ARE LOW. ANY ADDITIONAL REVENUE WAS USED TO REDUCE THE COMPANY DEBT.
2. CURRENT COST ESTIMATES ARE DISCOUNTED BACK TO 1986 AND 1987 USING AN INFLATION RATE OF 4.1% PER YEAR. (SAME AS EPA'S RATE)
3. COSTS AVOIDED ARE REDUCED BY TAXES (SAME RATES AS EPA USED - 49.6% IN 1986 AND 38.4% SINCE), SINCE WE PAID MORE TAXES THAN WE SHOULD HAVE, TO ARRIVE AT THE AFTER TAX CASH FLOW FROM THE DELAYED EXPENSE.
4. THE RETURN FROM REINVESTMENT IS THE AMOUNT OF REVENUE GENERATED FROM THE PREVIOUS YEAR CUMULATIVE CASH FLOW AT THE DISCOUNT RATE.
5. THE RETURN FROM REINVESTMENT IS REDUCED BY THE ADDITIONAL TAXES PAID TO ARRIVE AT THE AFTER TAX GAIN.
6. THE ANNUAL CASH FLOW IS THE AFTER TAX GAIN FROM DELAYING THE INITIAL EXPENSE PLUS THE ANNUAL USE OF THE MONEY.
7. THE CUMULATIVE CASH FLOW IS THE CUMULATIVE AFTER TAX FLOW OF CASH FROM THE ACTIVITY.
8. SINCE THE CLOSURE COSTS AND LIABILITY COSTS ARE NOT AVOIDED, BUT MERELY DELAYED, THE EFFECT OF PAYING THEM IN 1992 MUST BE CONSIDERED. THEREFORE THE EFFECT OF PAYING THEM IS SHOWN AS A NEGATIVE CASH FLOW REDUCING THE PREVIOUS CUMULATIVE CASH FLOW AMOUNT.
9. NOTE THE CLOSURE COST ECONOMIC BENEFIT. IT SHOWS A PENALTY TO THE COMPANY FOR DELAYING THE COST BECAUSE WE MISSED THE SIGNIFICANTLY HIGHER TAX DEDUCTION IN 1986.
10. THE AVOIDED DISPOSAL COSTS ARE BASED ON DETAILED ESTIMATES PREVIOUSLY PROVIDED TO EPA. WHAT IS NOT CONSIDERED IS THE ACTUAL COST KNAPHEIDE INCURRED BY APPLYING LABOR, ENERGY AND CAPITAL TO BURN THE FILTERS IN THE INCINERATOR (SEE SEPARATE SHEET FOR THESE COSTS).
11. ACTUAL COSTS INCURRED TO INCINERATE THE FILTERS ARE SHOWN ON A SEPARATE SHEET AS NEGATIVE VALUES SINCE THEY REPRESENT ACTUAL CASH OUTFLOWS.
12. ON A SEPARATE WORKSHEET, THE AMOUNT OF FILTERS GENERATED HAS BEEN FACTORED DOWNWARD 10% PER YEAR FOR PROCESS IMPROVEMENTS WHICH WOULD SURELY HAVE BEEN MADE HAD THE HIGH COST OF OUTSIDE DISPOSAL BEEN RECOGNIZED IN 1986 WHEN THE WASTES FIRST BECAME HAZARDOUS.

COST:

AVOIDED DISPOSAL COSTS

G. KORB
06/08/92

ANNUAL EXP: \$6400- \$12100 IN 1992 \$
 FIRST MO OF NONCOMP: 3, 1986
 COMPLIANCE DATE: 9, 1989
 PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6

INVESTMENT

EXPENSE

TAX RATE-86	49.60%	49.60%						
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%

INFL RATE 4.10%

DISC RATE 12.00%

CUM INFL RATE	0.778	0.802	0.834	0.869	0.904	0.941	0.980
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DISPOSAL COST(CUR \$)	6400	14200	15700	12100			
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DISPOSAL COST(PAST \$)	4977	11382	13100	10510			
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CASH FLOW

DISPOSAL COST	4977	11382	13100	10510			
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LESS: TAXES	2469	4371	5031	4036			
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A T CA FLOW-INV	2508	7011	8070	6474			
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RETURN FROM REINV		226	1159	2213	3154	3387	1819
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LESS: TAXES		87	445	850	1211	1301	698
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A T GAIN		139	714	1363	1943	2086	1120
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ANNUAL CASH FLOW	2508	7150	8784	7838	1943	2086	1120
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CUM CA FLOW	2508	9659	18443	26280	28223	30309	31429
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SYMPH\EPA\PENALTY\AVDIS12

COST:

LIABILITY COVERAGE

G. KORB
06/08/92

ANNUAL EXP: \$23,625 IN 1992 DOLLARS (ECS QUOTE)
 FIRST MO OF NONCOMP: 3, 1986
 COMPLIANCE DATE: 9, 1987
 PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	6	12	12	12	12	12	6

INVESTMENT

EXPENSE

TAX RATE-86	49.60%	49.60%					
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%

INFL RATE 4.10%

DISC RATE 12.00%

LIAB INS-CUR 23625

LIAB INS-DISC @ 4.1%	18556	18937	19713	20521	21363	22239	23150
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CASH FLOW

LIAB INS-18 MO	9278	18937					-35438
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LESS: TAXES	4602	7272					-13608
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A T CA FLOW-INV	4676	11665					-21830
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RETURN FORM REINV		281	1982	2128	2285	2454	1318
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LESS: TAXES		108	761	817	878	943	506
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A T GAIN		173	1221	1311	1408	1512	812
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ANNUAL CASH FLOW	4676	11838	1221	1311	1408	1512	-21018
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CUM CA FLOW	4676	16514	17735	19046	20454	21966	948
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FAX FORM

The Lockton Insurance Agency

7400 State Line Prairie Village, KS 66208

Main # 913-676-9000 Fax # 913-676-9180

Date: 6/8/92 # of pages being sent incl. cover sheet 1

Company: KNAPHEIDE MFG. CO.

Attn: GERRY KORB

Regarding: POLLUTION LIAB.

Message: GERRY, ECS HAS QUOTED THE FOLLOWING

AT \$1 MIL / \$2 MIL LIMITS:

<u>SIR</u>	<u>PREM.</u>
<u>\$50K</u>	<u>\$30K</u>
<u>\$100K</u>	<u>\$27K</u>
<u>\$250K</u>	<u>\$23,625</u>

THESE ARE THEIR STANDARD PREM. REDUCTIONS FOR SIR
INCREASES. IF YOUR PREMIUM WAS LARGER YOU WOULD
GET A BIGGER BREAK. THE UNDERWRITER IS PUSHING
TO HAVE YOUR DECISION MADE ~~THIS~~ THIS WEEK.
TO BIND WE NEED A 30% DOWN PAYMENT WITH THE
BALANCE IN A COUPLE OF WEEKS. PLEASE GIVE ME
YOUR THOUGHTS WITHIN A COUPLE OF DAYS.

THX!

Company's fax number: 217 / 222 - 5939

Sender DON SHILLITO

COST: CLOSURE COSTS

ANNUAL EXP: \$15000 IN 1992 DOLLARS

FIRST MO OF NONCOMP: 3, 1986

COMPLIANCE DATE: 6, 1992

PENALTY PAYMENT DATE: 6, 1992

G. KORB
06/08/92

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6
INVESTMENT							
EXPENSE							
TAX RATE-86	49.60%	49.60%					
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%
INFL RATE	4.10%						
DISC RATE	12.00%						
CLOSURE COST-CUR							15000
CLOSURE COST DISC @ 4.1%	11665	12023	12516	13029	13564	14120	14699
CASH FLOW							
CLOSURE COST-3/86	11665						-15000
LESS: TAXES	5786						-5760
A T CA FLOW-INV	5879						-9240
RETURN FROM REINV		529	745	800	859	922	495
LESS: TAXES		203	286	307	330	354	190
AT GAIN		326	459	493	529	568	305
ANNUAL CASH FLOW	5879	326	459	493	529	568	-8935
CUM CA FLOW	5879	6205	6664	7156	7685	8253	-682
							=====

SYMPH\EPA\PENALTY\CLOSUR12

COST:

AVOIDED DISPOSAL COSTS

G. KORB
06/08/92

ANNUAL EXP: \$6400- \$12100 IN 1992 \$
 FIRST MO OF NONCOMP: 3, 1986
 COMPLIANCE DATE: 9, 1989
 PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6

INVESTMENT

EXPENSE

TAX RATE-86	49.60%	49.60%						
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%

INFL RATE 4.10%

DISC RATE 18.10%

CUM INFL RATE	0.778	0.802	0.834	0.869	0.904	0.941	0.980
---------------	-------	-------	-------	-------	-------	-------	-------

DISPOSAL COST(CUR \$)	6400	14200	15700	12100			
-----------------------	------	-------	-------	-------	--	--	--

DISPOSAL COST(PAST \$)	4977	11382	13100	10510	0	0	0
------------------------	------	-------	-------	-------	---	---	---

CASH FLOW

DISPOSAL COST	4977	11382	13100	10510			0
---------------	------	-------	-------	-------	--	--	---

LESS: TAXES	2469	4371	5031	4036			0
-------------	------	------	------	------	--	--	---

A T CA FLOW-INV	2508	7011	8070	6474			0
-----------------	------	------	------	------	--	--	---

RETURN FROM REINV		341	1761	3418	4971	5525	3071
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LESS: TAXES		131	676	1313	1909	2122	1179
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A T GAIN		210	1085	2106	3062	3404	1892
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ANNUAL CASH FLOW	2508	7221	9155	8580	3062	3404	1892
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CUM CA FLOW	2508	9729	18884	27464	30526	33930	35821
-------------	------	------	-------	-------	-------	-------	-------

COST:

LIABILITY COVERAGE

G. KORB

06/08/92

ANNUAL EXP: \$23,625 IN 1992 DOLLARS (ECS QUOTE)

FIRST MO OF NONCOMP: 3, 1986

COMPLIANCE DATE: 9, 1987

PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	6	12	12	12	12	12	6

INVESTMENT

EXPENSE

TAX RATE-86	49.60%	49.60%						
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%

INFL RATE 4.10%

DISC RATE 18.10%

LIAB INS-OJR 23625

LIAB INS-DISC @ 4.1% 18556 18937 19713 20521 21363 22239 23150

CASH FLOW

LIAB INS-18 MO 9278 18937 -35438

LESS: TAXES 4602 7272 -13608

A T CA FLOW-INV 4676 11665 -21830

RETURN FORM REINV 423 3005 3340 3712 4126 2293

LESS: TAXES 163 1154 1283 1426 1584 881

A T GAIN 261 1851 2057 2287 2542 1413

ANNUAL CASH FLOW 4676 11926 1851 2057 2287 2542 -20417

CUM CA FLOW 4676 16602 18453 20510 22797 25339 4922

=====

SYMPH\EPA\PENALTY\LIABIL18

COST: CLOSURE COSTS

ANNUAL EXP: \$15000 IN 1992 DOLLARS

FIRST MO OF NONCOMP: 3, 1986

COMPLIANCE DATE: 6, 1992

PENALTY PAYMENT DATE: 6, 1992

G. KORB
06/08/92

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6
INVESTMENT							
EXPENSE							
TAX RATE-86	49.60%	49.60%					
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%
INFL RATE	4.10%						
DISC RATE	18.10%						
CLOSURE COST-CUR							15000
CLOSURE COST DISC @ 4.1%	11665	12023	12516	13029	13564	14120	14699
CASH FLOW							
CLOSURE COST-3/86	11665						-15000
LESS: TAXES	5786						-5760
A T CA FLOW-INV	5879						-9240
RETURN FROM REINV		798	1153	1282	1425	1583	880
LESS: TAXES		306	443	492	547	608	338
AT GAIN		492	710	789	878	975	542
ANNUAL CASH FLOW	5879	492	710	789	878	975	-8698
CUM CA FLOW	5879	6371	7081	7870	8748	9723	1025
							=====

COST:

INCURRED DISPOSAL COSTS-INCINERATION

G. KORB
06/08/92

ANNUAL EXP: \$11,346 PER YEAR * % FILT CONTAINING CHROME

FIRST MO OF EXPENSE: 3, 1986

COMPLIANCE DATE: 9, 1989

PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6
INVESTMENT							
EXPENSE	-4851	-7148	-7716	-5787			
TAX RATE-86	49.60%						
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%
INFL RATE	4.10%						
DISC RATE	12.00%						
CUM INFL RATE							
DISPOSAL COST(CUR \$)							
DISPOSAL COST(PAST \$)	-4851	-7148	-7716	-5787			
CASH FLOW							

DISPOSAL COST	-4851	-7148	-7716	-5787			
LESS: TAXES	-2406	-2745	-2963	-2222			
A T CA FLOW-INV	-2445	-4403	-4753	-3565			
RETURN FROM REINV		-220	-838	-1470	-2007	-2155	-1157
LESS: TAXES		-84	-322	-565	-771	-828	-444
A T GAIN		-136	-516	-906	-1236	-1328	-713
ANNUAL CASH FLOW	-2445	-4539	-5269	-4470	-1236	-1328	-713
CUM CA FLOW	-2445	-6984	-12252	-16723	-17959	-19286	-19999
						=====	

ASSUMPTIONS:

1. INCINERATOR COSTS BASED ON ATTACHED CALCULATIONS.

ANNUAL COST TO DISPOSE OF FILTERS WITH THE INCINERATOR

-LABOR:	50 WKS * 8 HR/WK * \$20.97/HR	\$8,388
-FUEL:	3.5 GAL/HR * 50 WKS * 8 HR/WK * \$.9431/GAL	\$1,320
-ELECT:		\$178
-ASH DISP:	50 DRUMS * \$300/DRUM / 12 YEARS	\$1,250
-MAINT:	ESTIMATE	\$210

ANNUAL OPER COST	\$11,346
------------------	----------

YEAR	NO MONTHS	INCIN % COST/YR	FILT W/ CHROME	REL INCIN COST
1986	9	8510	57%	\$4,851
1987	12	11346	63%	\$7,148
1988	12	11346	68%	\$7,716
1989	9	8510	68%	\$5,787

ASSUMPTIONS:

1. INCINERATOR COSTS ARE OUR OF POCKET COSTS ONLY. SINCE DEPRECIATION IS A NON CASH EXPENSE, IT IS NOT CONSIDERED HERE.
2. ONLY THE % OF THE TIME SPENT BURNING FILTERS CONTAINING CHROME IS RELATIVE AND CONSIDERED.

COST: INCURRED DISPOSAL COSTS-INCINERATION

G. KORB
06/08/92

ANNUAL EXP: \$11,346 PER YEAR * % FILT CONTAINING CHROME
FIRST MO OF EXPENSE: 3, 1986
COMPLIANCE DATE: 9, 1989
PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6
INVESTMENT							
EXPENSE	-4851	-7148	-7716	-5787			
TAX RATE-86	49.60%	49.60%					
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%
INFL RATE	4.10%						
DISC RATE	18.10%						
CUM INFL RATE							
DISPOSAL COST(CUR \$)							
DISPOSAL COST(PAST \$)	-4851	-7148	-7716	-5787			
CASH FLOW							
DISPOSAL COST	-4851	-7148	-7716	-5787			
LESS: TAXES	-2406	-2745	-2963	-2222			
A T CA FLOW-INV	-2445	-4403	-4753	-3565			
RETURN FROM REINV		-332	-1276	-2279	-3178	-3533	-1963
LESS: TAXES		-127	-490	-875	-1220	-1357	-754
A T GAIN		-204	-786	-1404	-1958	-2176	-1209
ANNUAL CASH FLOW	-2445	-4608	-5539	-4968	-1958	-2176	-1209
CUM CA FLOW	-2445	-7052	-12591	-17560	-19518	-21694	-22903

ASSUMPTIONS:

1. INCINERATOR COSTS BASED ON ATTACHED CALCULATIONS.

ANNUAL COST TO DISPOSE OF FILTERS WITH THE INCINERATOR

-LABOR:	50 WKS * 8 HR/WK * \$20.97/HR	\$8,388
-FUEL:	3.5 GAL/HR * 50 WKS * 8 HR/WK * \$.9431/GAL	\$1,320
-ELECT:		\$178
-ASH DISP:	50 DRUMS * \$300/DRUM / 12 YEARS	\$1,250
-MAINT:	ESTIMATE	\$210

ANNUAL OPER COST	\$11,346
------------------	----------

YEAR	NO MONTHS	INCIN % COST/YR	FILT W/ CHROME	REL INCIN COST
1986	9	8510	57%	\$4,851
1987	12	11346	63%	\$7,148
1988	12	11346	68%	\$7,716
1989	9	8510	68%	\$5,787

ASSUMPTIONS:

1. INCINERATOR COSTS ARE OUR OF POCKET COSTS ONLY. SINCE DEPRECIATION IS A NON CASH EXPENSE, IT IS NOT CONSIDERED HERE.
2. ONLY THE % OF THE TIME SPENT BURNING FILTERS CONTAINING CHROME IS RELATIVE AND CONSIDERED.

COST:

AVOIDED DISPOSAL COSTS

G. KORB
06/08/92

ANNUAL EXP: \$6400- \$12100 IN 1992 \$ W/ 10% IMPROVEMENT / YR
 FIRST MO OF NONCOMP: 3, 1986
 COMPLIANCE DATE: 9, 1989
 PENALTY PAYMENT DATE: 6, 1992

YEAR	1986	1987	1988	1989	1990	1991	1992
MONTHS	9	12	12	12	12	12	6
INVESTMENT							
EXPENSE							
TAX RATE-86	49.60%	49.60%					
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%
INFL RATE	4.10%						
DISC RATE	12.00%						
CUM INFL RATE	0.778	0.802	0.834	0.869	0.904	0.941	0.980
DISPOSAL COST(CUR \$)	6400	14200	15700	12100			
IMPROVEMENT (10%/YR)	6400	12780	12560	8470			
DISPOSAL COST(PAST \$)	4977	10244	10480	7357			
CASH FLOW							
DISPOSAL COST	4977	10244	10480	7357			
LESS: TAXES	2469	3934	4024	2825			
A T CA FLOW-INV	2508	6310	6456	4532			
RETURN FROM REINV		226	1075	1929	2616	2809	1508
LESS: TAXES		87	413	741	1004	1079	579
A T GAIN		139	662	1188	1611	1730	929
ANNUAL CASH FLOW	2508	6449	7118	5720	1611	1730	929
CUM CA FLOW	2508	8958	16076	21796	23407	25138	26067

COST:

AVOIDED DISPOSAL COSTS

G. KORB
06/08/92

ANNUAL EXP: \$6400- \$12100 IN 1992 \$ W/ 10% IMPROVEMENT / YR

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INVESTMENT

EXPENSE

TAX RATE-86	49.60%	49.60%						
-87+	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%	38.40%

INFL RATE 4.10%

DISC RATE 18.10%

CUM INFL RATE	0.778	0.802	0.834	0.869	0.904	0.941	0.980
---------------	-------	-------	-------	-------	-------	-------	-------

DISPOSAL COST(CUR \$) 6400 14200 15700 12100

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DISPOSAL COST(PAST \$) 4977 10244 10480 7357

CASH FLOW

DISPOSAL COST 4977 10244 10480 7357

LESS: TAXES 2469 3934 4024 2825

A T CA FLOW-INV 2508 6310 6456 4532

RETURN FROM REINV 341 1634 2985 4138 4599 2556

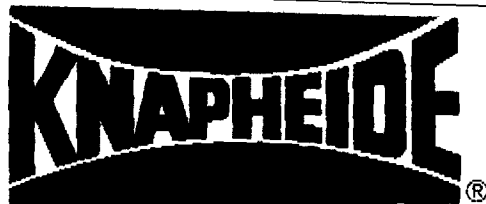
LESS: TAXES 131 628 1146 1589 1766 982

A T GAIN 210 1007 1839 2549 2833 1575

ANNUAL CASH FLOW 2508 6520 7462 6371 2549 2833 1575

CUM CA FLOW 2508 9028 16491 22862 25411 28244 29818

=====



SINCE 1848

The Knapheide Mfg. Co. • 436 South Sixth Street • P. O. Box C-140 • Quincy, Illinois 62306-2140
TEL: (217) 222-7131 • FAX: (217) 222-5939 OR (800) 654-8997

May 5, 1992

Sandra L. Oberkfell, Esq.
The Stolar Partnership
911 Washington Avenue
St. Louis, Missouri 63101

Re: EPA Complaint
Docket No. VII-92-H-0008

Dear Sandra:

I have compiled the information you requested after the EPA settlement conference concerning the above-referenced matter. The paragraph headings below correspond to the Complaint:

A. Count III. Orville Nieders (Manager, Quality Control) and Bryce Butler (Plant Manager) have confirmed to me that all of the approximately 600 fifty-five gallon containers of waste stored on site at the time of the March 15, 1991 MDNR inspection were labeled with waste type and start date of accumulation.

B. Count V. The aisle space present at the time of the March 15, 1991 MDNR inspection was 39.75", as shown on the attached Diagram #1. All pieces of our emergency equipment would fit into this amount of aisle space:

- 20 lbs. hand held fire extinguishers
- 150 lbs. dry chemical cart
- 30.000" wide with a 50' hose
- 200 lbs. dry chemical cart
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- pig spill kit
- 28.000" x 28.000"
- absorbent material
- bags

In addition, the Quincy Fire Department has indicated that any fire occurring in our hazardous waste storage building would most likely be extinguished with the Department's foam machine and a 3" fire hose, but in any event the firefighting would

May 5, 1992
Page 2

be conducted from the exterior of the building with only a hose and firefighter on the interior.

The aisle space was expanded following the March 15, 1991 MDNR inspection to its current dimensions, as shown on the attached Diagram #2.

C. Count VI. The Knapheide Mfg. Co. is monitored during off hours for security. Monitoring is full time for drinking water, building temperature and fire protection. This would normally be the first alarm that we would get when there is a problem. When an employee leaves the facility, his security number is deactivated and his name is removed from the call list if he is on it. Alarm Systems, Inc. would automatically call law enforcement or fire department if someone from Knapheide is not immediately available. When the sprinkler system is activated, Alarm Systems, Inc. receives an alarm and immediately calls the fire department unless instructed not to. The system has been in effect as listed below:

Prior to 1/1/1983	ADT
After 1/1/1983	Alarm Systems, Inc. 717 WCU Building 510 Maine Street Quincy, Illinois 62301

Quincy, Illinois is a community of approximately 45,000 people. Because of my personal involvement with local fire, highway, police, and power companies over the years, most would associate my name with a facility problem at Knapheide Manufacturing, but certainly every organization would associate Harold Knapheide III with our facilities. One or both of us would surely be called in case of an emergency, even if the Contingency Plan listed others.

D. Count VIII. We have used Heartland Environmental as our broker from the start of our waste shipments. According to Orville Nieders, their representative helped to package, label, manifest, and line up the transporter for the first few loads. Heartland since has asked Schiber Truck to prepare the manifesting and land ban forms for our signature. They arrive with the truck, and the cost of disposal and transportation are invoiced to Knapheide by Heartland Environmental. Mike Schiber at Schiber Truck said he fills out the manifest per a sample from Heartland. Mike also said it is standard operating procedure for his drivers to call the generator if there is a delivery problem and let the generator instruct them what to do.

Since April 24, 1992, Knapheide Manufacturing has completed the manifests and land ban forms and is temporarily having all such forms reviewed by ATEC Associates and/or The Stolar



May 5, 1992
Page 3

Partnership. Procedure for completion of the forms is documented in the Knapheide Hazardous Waste Manifest Procedure submitted to the EPA by letter dated March 21, 1992.

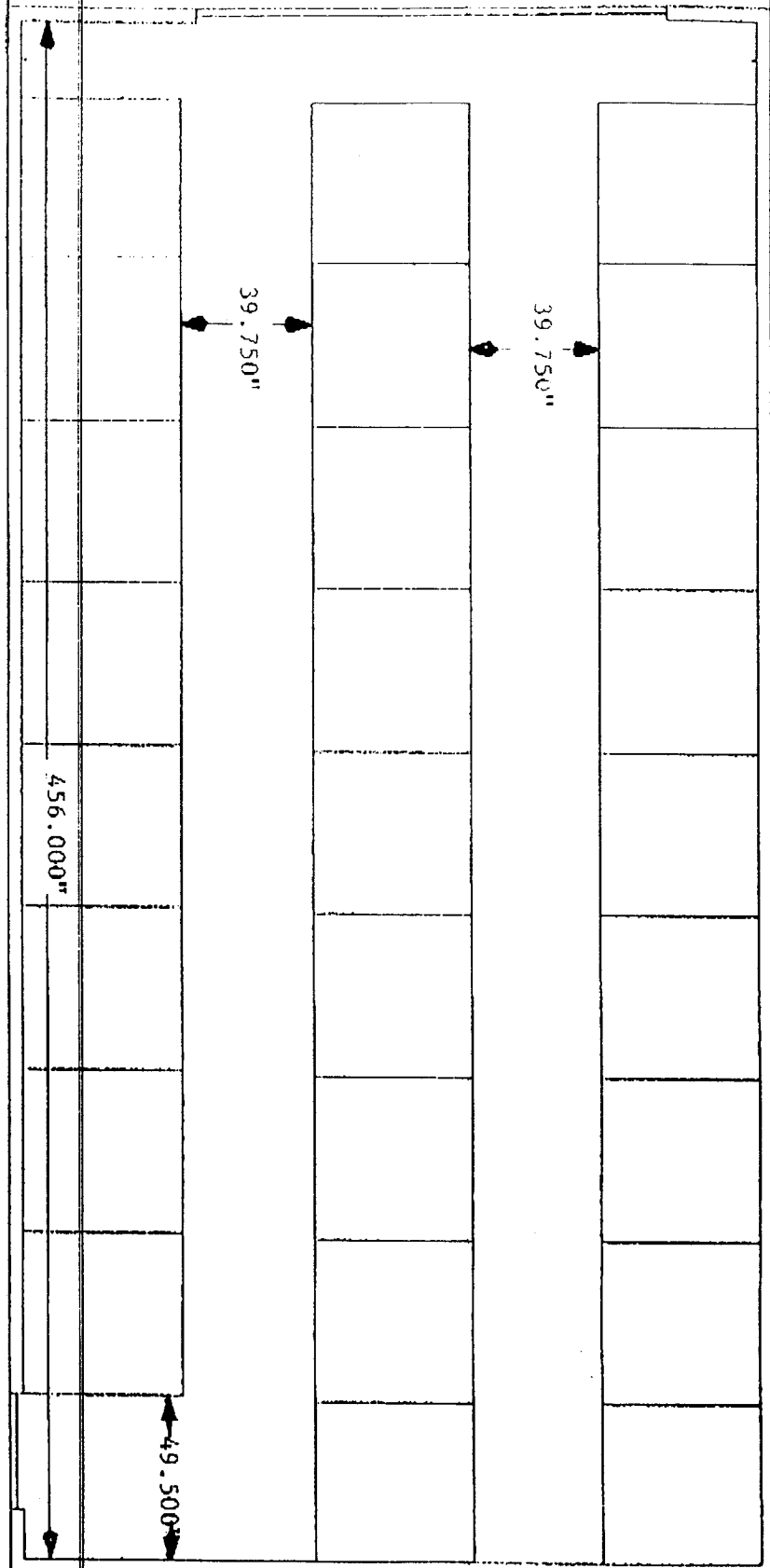
Sincerely,

A handwritten signature in cursive script that reads "Harold Huggins".

Harold D. Huggins
Facilities and Environmental
Engineering Manager

OLD HAZARDOUS WASTE BUILDING LAYOUT

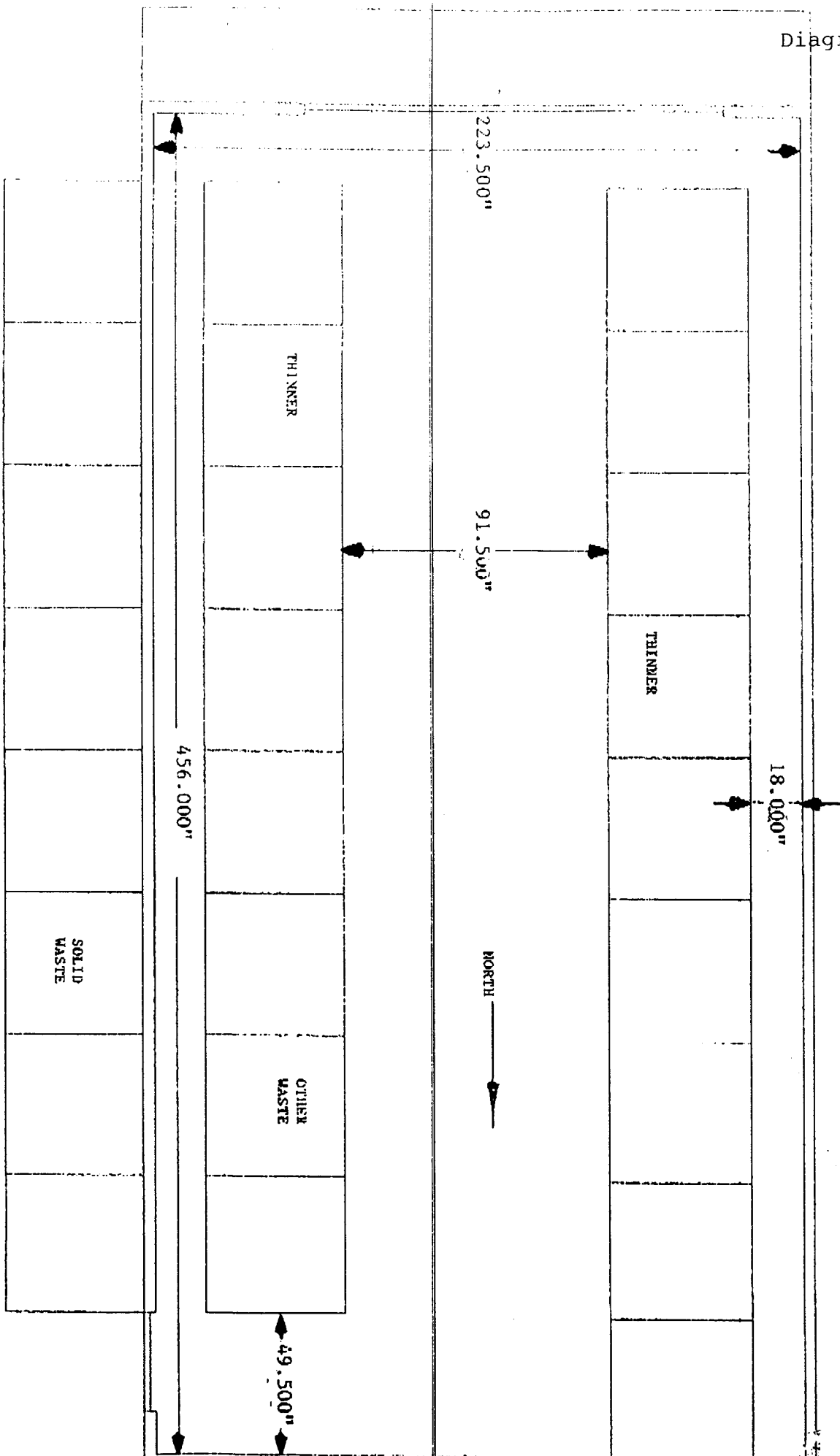
Diagram #1



NORTH

Diagram #2

NEW HAZARDOUS WASTE BUILDING LAYOUT



THE STOLAR PARTNERSHIP
ATTORNEYS AT LAW

THE LAMMERT BUILDING
911 WASHINGTON AVENUE
ST. LOUIS, MISSOURI 63101
(314) 231-2800

TELEX: 880984 (SHESH STL)
TELEFAX: (314) 436-8400

SANDRA L. OBERKFELL

H.M. STOLAR
(RETIRED 1984)

May 5, 1992

RECEIVED

MAY 6 1992

RCOM SECTION

Mr. Ruben B. McCullers
Environmental Scientist
RCRA Compliance
United States Environmental
Protection Agency, Region VII
726 Minnesota Avenue
Kansas City, Kansas 66101

Re: Knapheide Mfg. Co.
Docket No. VII-92-H-0008

Dear Ruben:

As we promised at our settlement conference on April 23, 1992 regarding the above-referenced matter, we are herewith providing additional information in support of the settlement offer we made to the EPA at that time. We want to emphasize that this information is intended only to supplement that settlement offer, and therefore must be considered in conjunction with the previously submitted information.

Count II

1. ATEC Associates has obtained information from the local Brule Incinerator representative substantiating the (a) unlikelihood of stack emissions containing selenium, and (b) stability through thermal oxidation of any such materials in the unlikely event of emission through the stack. ATEC confirms these conclusions in an attached letter.

2. Knapheide has contacted each of its paint suppliers, and each has confirmed orally that none of the paints supplied to Knapheide from 1980 through the present contains selenium. (The paint manufacturers have agreed to confirm this in writing; their letters will be supplied to you upon receipt.)

3. The Material Safety Data Sheets for the paint products used by Knapheide have been double checked, and, as we initially indicated, selenium is not shown as a constituent on any such Sheets.

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
Page 2

4. The three test results of the paint booth wastes, prior to containerization, conducted by the laboratory on April 16, 1991 are the only test results indicating the presence of selenium in Knapheide's paint filters (and two of those three test results are only marginally above the detection limit). The test results of the containerized paint filter waste conducted on March 12, 1991 were non-detect for selenium, as was the fourth paint booth waste test conducted on April 16, 1991. Therefore, the presence of selenium in these test results seems to be a currently unexplainable anomaly and such test results are certainly insufficient to prove a violation dating back to 1980 for the improper treatment of the waste. Further, the April, 1991 test results do not establish the improper storage (in excess of 90 days) of the waste, since the waste was shipped in May, 1991 and has been shipped every 90 days since.

Count II

Economic Benefit

Attached is a letter from ATEC confirming its actual cost of preparing a closure plan and recalculating Item 1 of the proposed Economic Benefit Penalty (Count II) based upon such actual cost. Also attached is a letter from Knapheide's Vice President/Manufacturing recalculating the avoided disposal cost component (Item 3) of the proposed Economic Benefit Penalty (Count II).

Please note that in both instances, the penalty has been calculated from 1986 only, because the use of chromium-containing paint did not commence in that year, and because no evidence of the presence of selenium has been established for that relevant time period.

Count III

Attached is a letter from Knapheide's Facilities and Environmental Engineering Manager stating that the containers of waste stored on site at the time of the March 15, 1991 inspection were labeled with waste type and start date of accumulation.

Count V

In the same letter, Knapheide's Facilities and Environmental Engineering Manager sets forth the amount of aisle space present at the time of the March 15, 1991 inspection, and the dimensions necessary for emergency equipment access (including discussions with the local fire department regarding their access needs).

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
Page 3

Count VI

In the same letter, Knapheide's Facilities and Environmental Engineering Manager recites the procedures in effect (past and current) in case of emergency.

Count VIII

In the same letter, Knapheide's Facilities and Environmental Engineering Manager recites the arrangements in place with the resource recovery facility concerning procedures to be followed if a waste shipment is undeliverable. The arrangements Knapheide currently has with the resource recovery facility meet the requirements of the manifest regulation.¹ However, as set forth in Paragraph II.D. of the Hazardous Waste Manifesting Procedure (previously submitted to you by letter dated March 21, 1992), Knapheide has been and will continue to incorporate a statement on its manifest instructing the transporter to return the waste in the event delivery of the waste to the primary designated facility is not possible. In our opinion, no penalty should be assessed for the facts alleged in Count VIII because no violation of the law occurred. Certainly, the recalculated penalty for Count VIII presented in the settlement offer is justified.

CONCLUSION

The foregoing information supports the settlement offer made on behalf of our client at our settlement conference on April 23, 1992. In fact, as indicated by the documentation provided in the discussion concerning Counts II and VIII, an argument could be made

¹The provisions of 40 C.F.R. §262.20(c) and (d) as incorporated by reference at 10 C.S.R. §25-5.262(1), do not provide that manifests for off-site shipment must designate an alternate facility to receive the waste and instructions that, if the transporter is unable to deliver to the designated or alternate facility, the generator must designate another facility or the waste must be returned to the generator. Rather, these sections provide that the generator must designate on the manifest one facility which is permitted to handle the waste described on the manifest, and may designate on the manifest one alternate facility which is permitted to handle the generator's waste if an emergency prevents delivery of the waste to the primary designated facility. If the transporter is unable to deliver the hazardous waste to the designated facility or the alternate facility, the regulations provide that the generator must then either designate another facility or instruct the transporter to return the waste.

THE STOLAR PARTNERSHIP

Mr. Ruben B. McCullers
May 5, 1992
Page 4

that the proposed penalty assessment should be decreased. However, our client is not reducing its April 23 settlement offer on the basis of this revised information. Rather, we believe that the information contained in this letter and its attachments firmly support and justify acceptance of our client's current settlement offer. We are willing to submit any additional information you may request and we await your response which we understand will be forthcoming this Friday.

Thank you.

Very truly yours,


Sandra L. Oberkfell

SLO:mc

cc: Robert W. Richards, Esq. /
Mr. Harold D. Huggins
Mr. Steve Townsend



2275 Cassens Drive, Suite 123
Fenton, Missouri 63026-2501
[314] 349-5949, FAX # [314] 349-4912

April 30, 1992

Mr. Gerry S. Korb
Vice President/Manufacturing
Knapheide Manufacturing Company
P.O. Box C-140
436 South 6th Street
Quincy, Illinois 62306-2140

Re: The Knapheide Mfg. Co.
Brule Incinerator

Dear Mr. Korb:


I have discussed with Mr. Dick Evenson, the local Brule Incinerator representative, the operation and emissions associated with a model No. FG4-T5 incinerator. According to Brule, both opacity and particulate emissions from this model of incinerator are well under state or federal guidelines. On the basis of stack testing of this model of incinerator, Brule stated that the grain loading (i.e., particulates) would be 0.0645 grains per standard cubic foot (gr/scf), which is well under the allowable 0.2 gr/scf.

In addition, all heavy metals contained within the burned materials would settle out while the gas stream (e.g., smoke) continued through the incinerator's up-pass system. Essentially, this up-pass system acts as a settling chamber prior to the gas entering the stack and thus, the atmosphere. Therefore, all heavy metals would be contained within the resultant ash. Apparently the only possible way heavy metals would exit the incinerator stack would be if they were actually attached to particulates. This method is estimated by Brule to be very unlikely.

In summary, it is highly unlikely any heavy metal constituents contained within the materials charged into the incinerator were contained within stack emissions. In the unlikely event they were, all heavy metals would have been reduced to their most stable physical state by thermal oxidation.

If you have any questions concerning this information, please do not hesitate to call.

Respectfully Submitted,
ATEC Associates, Inc.



D. Stephen Townsend, CPG, REM
District Manager



2275 Cassens Drive, Suite 123
Fenton, Missouri 63026-2501
[314] 349-5949, FAX # [314] 349-4912

May 5, 1992

Mr. Gerry Korb
Vice President Manufacturing
The Knapheide Mfg. Co.
436 South Sixth Street
Quincy, Illinois 62306-2140

Dear Mr. Korb:

In response to your question on costs associated with clean closure of the container staging/incinerator area, ATEC Associates, Inc. (ATEC) will expend approximately \$15,000.00 in 1992 dollars completing this project. This estimated fee includes time and expenses associated with preparation, generation and submission of the closure plan, pre-closure sampling and analysis, review of analytical data and certification of closure.

Because the first purchase of chromium-containing paint was not made until February 1986, Knapheide would not have been subject to the regulations concerning hazardous waste generation until 90 days after generation of its first waste-paint product. Knapheide should have ceased incineration of chrome-containing absorbent material at that time, and proceeded with closure of the area. Even though Knapheide did not perform these activities in 1986, the same closure format as currently being proposed could have been used because the incineration process did not change from 1986 through 1989.

Therefore, the appropriate economic benefit calculation for this item is \$15,000, the actual 1992 cost for providing these services.

I trust this information is sufficient to meet your needs. If you have any questions concerning this letter, please do not hesitate to call me.

Respectfully Submitted,
ATEC Associates, Inc.


D. Stephen Townsend, CPG, REM
District Manager



SINCE 1848

The Knapheide Mfg. Co. ■ 436 South Sixth Street ■ P. O. Box C-140 ■ Quincy, Illinois 62306-2140
TEL: (217) 222-7131 ■ FAX: (217) 222-5939 OR (800) 654-8997

April 30, 1992

THE STOLAR PARTNERSHIP
ATTORNEY AT LAW
THE LAMMERT BUILDING
911 WASHINGTON AVENUE
ST LOUIS MO 63101

ATTN: SANDRA L OBERKFELL

Dear Sandy:

Following is the analysis used to project the disposal costs of chrome containing filters had those filters been shipped to a resource recovery facility for incineration. The analysis considers:

- A. Projected usage of paint by major products for 1992 used to calculate what percent of the filters would contain chrome.
- B. Actual shipments of waste filters for the past (3) shipments as a ratio to the number of filters purchased.
- C. Disposal cost is estimated at \$1,000/ton based on a verbal estimate from Chief Supply.
- D. Vinyl wash, the chrome containing paint pre-primer was introduced the 2nd quarter of 1986 in UB & UB Special, estimated 1st quarter 1987 for the tool box and miscellaneous department.
- E. Platforms and side assembly paint was completely chrome free during the 1986-1989 period.
- F. None of the paint had chrome before the 2nd quarter of 1986. Therefore, years 1980-1985 are not considered.

Sincerely,

THE Knapheide MFG. CO.

Gerry Korb
Gerry Korb
Vice President Manufacturing

Attachments

FILTER DISPOSAL COSTS

- 1) From 5/24/91-4/6/92 we shipped 350 drums of filters to Chief Supply for incineration. The period represents 197 production days.
- 2) In 1991 we purchased 22,000 filters for our paint booths.
- 3) Total production days in 1991 = 238
- 4) Filter purchases in the past were:

1986	12,000
1987	18,000
1988	18,400
1989	19,000
1990	22,800
1991	22,000

5) Est Drums/Yr:

	<u>Filters</u>	<u>Actual Drums</u>	<u>Filters/ Drum**</u>	<u>Projected Drums</u>
1991 (197 Days)	18,210	350	52	
Prior - '86-89				
86 - 9 Mo	9,000			173
87	18,000			346
88	18,400			354
89 - 9 Mo	14,250			274

* 22,000 Filters / 238 days/yr * 197 days in period

**New filters are packaged 100/19" vs. 52 in 34" as calculated above.

6) Projected Drums Containing Chrome

	<u>Total Drums</u>	<u>% Chrome Paint</u>	<u>Drums W/Chrome</u>
86 - 9 Mo	173	57%	99
87	346	63%	218
88	354	68%	241
89 - 9 Mo	274	68%	186
	<u>1,147</u>		<u>744</u>

*See Attachment A - % of filters containing chrome.

7) Annual Costs - Disposal of Chrome Containing Filters

	# Drums	Ton @ 130#/Drum	Disposal Cost @1000/Ton
86 - 9 Mo	99	6.4	6,400
87	218	14.2	14,200
88	241	15.7	15,700
89 - 9 Mo	186	12.1	12,100
	<u>744</u>	<u>48.4</u>	<u>48,400</u>

4 Year avoided cost @ current (92) \$ = \$48,400

ATTACHMENT A

% OF FILTERS CONSIDERED CHROME

		NON-HAZARDOUS			HAZARDOUS			% PAINT CHROME
		PAINT	EQUIV.** "PLATS"	RATE (GAL)	PAINT	EQUIV.** UB'S	RATE (GAL)	
VINYL WASH								
92 FORECAST		15,063	5,450	2.76	34,770	8,647	4.02	70
1986 - 9 MOS	UB	18,356	6,641	2.76	24,353	6,056	4.02	57
1987	UB & TB	20,665	7,477	2.76	35,217	8,758	4.02	63
1988	UB & TB	22,058	7,981	2.76	47,920	11,917	4.02	68
1989 - 9 MOS	UB & TB	16,578	5,998	2.76	34,812	8,657	4.02	68

NOTE:

- 1) TOOL BOX PAINT WAS NON-CHROME IN 1986.
VINYL WASH STARTED IN 1987 IN TOOL BOX.
- 2) TOOL BOX VOLUMES ARE ADDED TO PLATFORM VOLUMES IN 1986
SINCE THEY DID NOT CONTAIN CHROME AND TO UB IN '87-89 AT
A RATE OF 6 TOOL BOXES PER PLATFORM OR UB.
(IE. - 1986 EQUIVALENT PLATFORM VOLUME IS = $8105 \times 9/12 + 450 \setminus 6 \times 9/12 = 6641$)

*SEE ATTACHMENT B - PROJECTED PAINT CONSUMPTION WORKSHEET

**SEE ATTACHMENT C AND NOTE 2 ABOVE FOR EQUIVALENT PRODUCTS PRODUCED.

ATTACHMENT B

PAINT CONSUMPTION - PROJECTED '92

PAINT CONS	UB	MISC	TOOL BOX	PLATFORM	SIDE ASSEMBLY
RED PRIME	11,011	2,202	2,783	3,325	3,738
GREY	11,011				
BLACK			2,254	4,033	1,967
WHITE			529		
RED-T.C.					2,000
UNDERCOAT	4,980				
	27,002	2,202	5,566	7,358	7,705
		29,204			15,063
			34,770		
				49,833	

ATTACHMENT C

PRODUCTION VOLUMES

YEAR	VINYL WASH USED	UTILITY BODIES	PLATFORM	TOOL BOXES
1986	UB	8075	8105	4501
1987	UB & TB	7838	7477	5519
1988	UB & TB	10675	7981	7451
1989	UB & TB	10278	7262	7484
1989 - OCT-DEC	UB & TB	2712	1264	938
1990	UB & TB	8907	6862	6798
1991 - JAN	UB & TB	618	341	435
1991	UB & TB	7755	4606	4900



SINCE 1848

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May 5, 1992

Sandra L. Oberkfell, Esq.
The Stolar Partnership
911 Washington Avenue
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Docket No. VII-92-H-0008

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May 5, 1992
Page 2

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May 5, 1992
Page 3

Partnership. Procedure for completion of the forms is documented in the Knapheide Hazardous Waste Manifest Procedure submitted to the EPA by letter dated March 21, 1992.

Sincerely,

A handwritten signature in cursive script that reads "Harold Huggins".

Harold D. Huggins
Facilities and Environmental
Engineering Manager

Diagram #1

OLD HAZARDOUS WASTE BUILDING LAYOUT

NORTH

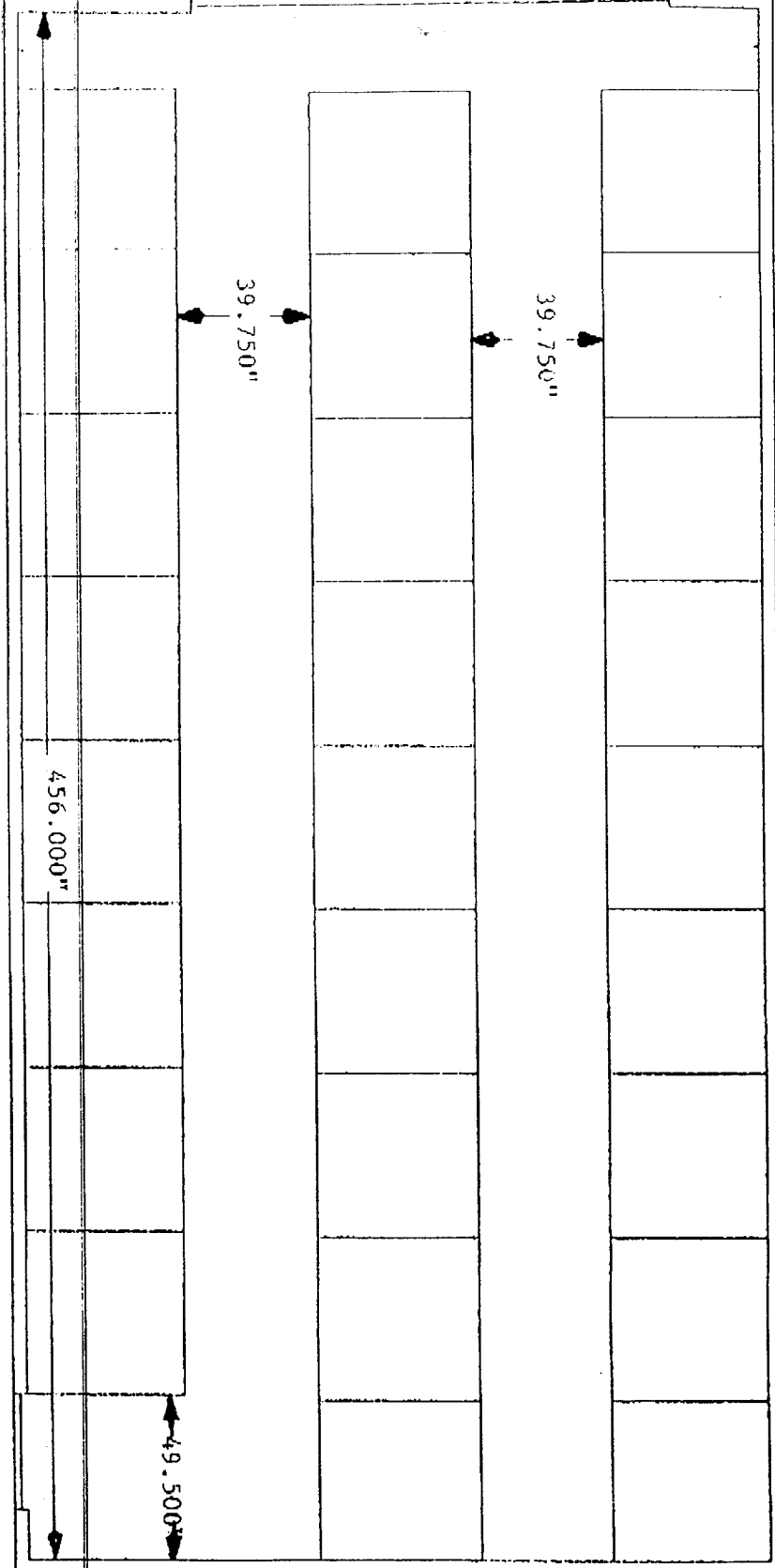


Diagram #2

NEW HAZARDOUS WASTE BUILDING LAYOUT

